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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01/30/08

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 29

NIKKEI (Page 2) (Full)
January 30, 2008

07:52
Arrived at the Kantei.

08:10
Attended a meeting of the Local Revitalization and Integration Headquarters. Later attended a cabinet meeting.

09:24
Attended a Lower House Budget Committee meeting.

12:15

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Met Chief Cabinet Secretary Machimura and Deputy Chief Cabinet Secretary Ono.

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12:45
Met Machimura and Ono.

12:57
Met Machimura at the Kantei.

14:15
Attended the Lower House Budget Committee meeting.

17:08
Attended an Upper House Budget Committee meeting.

17:28
Attended a national social security meeting at the Kantei.

18:06
Met Osaka governor-elect Hashimoto, with Election Committee Chairman Koga, Osaka Prefectural Federation of Chapters Chairman Nakayama present. Later met Libyan Vice Foreign Minister Siala.

20:02
Attended a Lower House plenary session.

20:37
Arrived at the Kantei.

20:58
Returned to his official residence.

21:15
Met Machimura.

4) Fukuda pins hopes on America's early economic stimulus package

SANKEI (Page 5) (Full)
January 30, 2008

Prime Minister Yasuo Fukuda made the following comment last night regarding the fact that U.S. President George W. Bush expressed his resolve to ward off recession in his State of the Union address: "The recent global stock plunge (resulted from) the subprime loan crisis. Any measures taken by the United States are extremely vital." Fukuda thus indicated that he pins hopes on an early implementation of the 150-billion-dollar (approximately 16 trillion yen) emergency economic stimulus package announced by President Bush. He also underlined the need for a swift response, saying: "If (the stock plunge) drags on, it might affect not only Japan but also the whole world."

5) Ruling camp submits stopgap bills to extend provisional road-related tax rates

ASAHI (Top Play) (Excerpts)
January 30, 2008

The Liberal Democratic Party (LDP) and the New Komeito last night submitted to the House of Representatives a package of lawmaker-sponsored bills to extend the provisional gasoline and other road-related tax rates by two months beyond their end-of-March

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expiration. Given strong opposition to the bill by the Democratic Party of Japan (DPJ), Lower House Speaker Yohei Kono asked senior members of the ruling and opposition parties to try to find common ground in a bid to avoid a stalled session of the Diet. Despite intermittent discussion between both camps, the two sides failed to reach an agreement. As a result, the ruling parties decided to submit the bill. The opposition bloc is poised to put up all-out resistance by boycotting deliberations and other means. Both camps will unavoidably plunge into total confrontation.

The stopgap bills are those amending the Special Taxation Measures Law, the Local Tax Law, and the Provisional Tariff Measures Law. The bills were referred to the executive committee and the fiscal and monetary committee of the Lower House. The bills are likely to be approved at a Lower House plenary session by a majority from the ruling parties. Even if the opposition bloc boycotts the vote on the bill, the ruling parties intend to enact the bills at the end of March by an override vote in the Lower House under Article 59 of the Constitution.

Once the bills are enacted, the current gasoline tax rate will be maintained until the end of May. During this period, the ruling bloc plans to enact a bill amending the Special Taxation Measures Law to extend it for 10 years by a two-thirds lower chamber overriding vote.

In an effort to break through the impasse, Kono met ruling and opposition party executives, including LDP Secretary General Bunmei Ibuki and DPJ Secretary General Yukio Hatoyama, in succession in the Diet building yesterday. He told them: "I want you to deal with the issue with common sense for the sake of the authority of the Diet and to make efforts to create an environment for both sides to be able to make compromises."

Following this, discussion was carried out at a meeting between the Diet Affairs Committee chairmen of the ruling and opposition blocs and other meetings intermittently. In response to the opposition side's requests, the ruling side presented a compromise plan that includes proposals of removing parts related to an extension of the gasoline and other road-related tax rates from the revenue-related bills based on legislation by Lower House members, as well as of refraining from submitting the stopgap bills if the opposition promises to take a vote in the House of Councillors by the end of March.

But DPJ Diet Affairs Committee Chairman Kenji Yamaoka declined the ruling parties' plan, arguing: "It is impossible to hold a discussion in which a final judgment has already been made. Such a proposal is tantamount to forfeiting our right to debate." The opposition side decided to reject the ruling parties' compromise plan at its meetings between the secretaries general and between the Diet Affairs Committee chairmen.

6) Ruling camp changes to hard-line stance; Area of compromise on tax bill still not in sight

NIKKEI (Page 2) (Excerpt)

The ruling parties yesterday changed its line away from seeking talks with the opposition camp, and presented to the Lower House a "bridging bill" that would extend the provisional taxes, such as the gasoline tax. The reason is that with the confrontation between the

two camps intensifying in the Diet, the ruling parties could see no clear outlook (for the main legislation). On the other hand, Prime Minister Fukuda has turned over the matter to the ruling parties and is taking a wait-and-see approach. He is aiming at preserving his card of calling for party-heads talks with Democratic Party of Japan President Ichiro Ozawa.

7) Main questions and answers at Lower House Budget Committee session

YOMIURI (Page 4) (Full)
January 30, 2008

The following is a gist of Prime Minister Yasuo Fukuda's replies at the House of Representatives Budget Committee session on Jan. 29.

Stopgap bill

Masao Akamatsu (New Komeito): The top leaders of (ruling and opposition parties) should discuss the matter.

Prime Minister Fukuda: In running Diet business, a variety of topics are being discussed between the ruling and opposition camps. I pin hopes on talks. It is extremely regrettable for political issues to dim economic prospects. We need to make a breakthrough in the situation.

Chinami Nishimura (DPJ): You should order the ruling camp not to submit a lawmaker-sponsored bill.

Prime minister: I am not aware of the contents (of the legislation). I also don't know whether or not (the ruling bloc) will submit the bill. It will be determined through talks. In order to avoid such a consequence, (the opposition camp) should respond to a call for talks.

Hirofumi Ryu (DPJ): You really don't know the contents of the bill?

Prime minister: I really don't know. The ruling camp asked me to leave the matter to them, so I am trying not to interfere in it. I won't issue any order, because the talks concern the Diet.

Ryu: Talks were held between the ruling and opposition camps while (the committee session) was in a recess for two hours. Did you receive a briefing?

Prime minister: There was no contact.

Kazunori Yamanoi (DPJ): Forcibly extending the provisional tax rates is tantamount to tax increases. The bill designed to increase 2.6 trillion yen in taxes in 10 years is not something that can be determined in just one day without deliberations.

Prime minister: We can thoroughly discuss what to do with the gasoline tax because there is sufficient time before the bill (amending the Special Taxation Measures Law) is enacted. We should discuss the matter during that period.

Yamanoi: It is not fair to decide to extend the provisional tax rates in an instant without deliberations.

Prime minister: It is meaningless to say this or that about (a bill)

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that has not been submitted. I would like you to create an atmosphere to conduct discussions calmly.

Yamanoi: Can you say that the bill will not be submitted today?

Prime minister: To be honest, I am not really happy to have to answer the same question over and over. I don't know the contents, and discussing a supposition is meaningless.

Road construction in regional areas

Ryu: Budget allocation lacks strategy.

Prime minister: There is strategy. Public works projects have been halved over the last seven to eight years. We must give thought to local economies as well. Local regions must be cherished. To do so, roads must be built.

Permanent legislation governing overseas dispatch of SDF

Yuriko Koike (LDP): How are you going to address the question of a permanent law?

Prime minister: I truly want to enact a permanent law. The question is whether we can create conditions for discussing the matter. I would like to advance the matter while watching the overall situation. It is ideal to advance the matter with support from opposition party members.

Greenhouse gas reduction

Koike: I would like to see the Lake Toya Summit use the carbon offset model (to offset the generated greenhouse gases with carbon dioxide reduction projects).

Prime minister: We have been considering that idea. We would like to come up with the best means available.

8) Supplementary budget bill clears Lower House

ASAHI (Page 4) (Full)
January 30, 2008

The House of Representatives passed a supplementary budget bill for fiscal 2007 in its plenary session yesterday by a majority from the Liberal Democratic Party (LDP) and the New Komeito. The bill was sent to the House of Councillors the same day. The bill includes measures to deal with rising oil prices and to put off an increase in the government's burden of medical costs for the elderly. Even if the bill is rejected in the Upper House, which the opposition camp controls, the bill will be enacted at the end of February, at the latest, since the superiority of the Lower House is recognized for budget-related bills under the Constitution. Bills amending the local tax-allocation law and other laws were also approved by a majority from the LDP, the New Komeito, the Democratic Party of Japan (DPJ), and other parties in the Lower House.

The total amount of the budget is 895.4 billion yen. The budget includes 171.9 billion yen to finance measures to freeze the plan of increasing the government's burden of medical costs for the elderly and 57 billion yen in aid for the management of transport companies in order to maintain services to isolated islands and depopulated

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areas as measures to deal with rising oil prices. The bill amending the local tax-allocation law is designed to allow local governments to issue deficit-covering bonds as a special measure, given sharp drops in their tax revenues in fiscal 2007. Both the LDP and the DPJ agreed to specify the validity of the special measures as "for the time being," instead of limiting it only to fiscal 2007.

9) DPJ President Ozawa rebuts: My walking out of Lower House plenary session was not cause of defeat in Osaka gubernatorial election

SANKEI (Page 5) (Full)
January 30, 2008

Democratic Party of Japan (DPJ or Minshuto) Secretary General Yukio Hatoyama has pointed out that DPJ President Ichiro Ozawa's skipping the second vote at the House of Representatives plenary session on the antiterrorism special measures bill was one of the reasons for the DPJ-backed candidate's defeat in the Osaka gubernatorial election. Asked by reporters yesterday about Hatoyama's comment, Ozawa snipped: "I don't know what the secretary general really said, but I don't think that was a cause."

Referring to the defeat in the Osaka gubernatorial race, which the DPJ considered prelude to the next Lower House election, Ozawa stated:

"There will be many kinds of elections until the next Lower House election, which is our biggest goal. It is only natural to do our best to achieve that goal. So Osaka is not so special."

In order to support the DPJ-backed candidate for the Osaka gubernatorial election, Ozawa skipped the voting on Jan. 11 at the lower chamber, which took a second vote on the new antiterrorism bill to resume the Maritime Self-Defense Force's refueling mission in the Indian Ocean.

On the night of Jan. 27, the day of the Osaka election, Hatoyama said that Ozawa's walking out of the plenary session "was severe criticized by the public."

10) LDP panel proposes tripling ODA for Africa

YOMIURI (Page 4) (Full)
January 30, 2008

The ruling Liberal Democratic Party's (LDP) ODA project team (headed by Toshio Yamauchi) in the National Strategy Headquarters yesterday formed a package of aid measures for Africa ahead of the fourth Tokyo International Conference on African Development (TICAD) and reported it to the joint session of the LDP's foreign affaires-related departments. The aide measures include tripling official development assistance (ODA) over next five years.

As priority items, the package cites yen loans for the construction of infrastructure, such as an expressway system that will span the African continent, and grant aid for healthcare, such as measures to deal with AIDS, as well as educational aid, such as construction of elementary school buildings.

11) Japan's first step to help developing countries' efforts to tackle climate change will start with Africa

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NIKKEI (Page 5) (Excerpts)
January 30, 2008

The Japanese government's idea put forward just recently to help developing countries address climate change will now get rolling. In this regard, the first set of measures is being discussed in the government to cover four African countries, including Nigeria. With an eye on the upcoming Group of Eight summit (G8 Toyako Summit) in July, which Japan will host and where how to deal with climate change and how to help develop Africa are expected to be high on agenda, the government intends to make clear its attitude of attaching importance to the environment and Africa.

Prime Minister Yasuo Fukuda declared in a speech given at the annual meeting of the World Economic Forum in Davos, Switzerland, that Japan will create a "financial mechanism" for developing countries to deal with climate change. Japan will provide some 10 billion dollars for this financial mechanism.

Candidate countries to receive the first set of measures under this mechanism are Nigeria, Madagascar, Senegal, and South Africa. Details of the measures will be discussed in February. Japan has judged it necessary to provide measures as quickly as possible, given desertification and deforestation in Africa because of climate change.

The measures are expected to be offered mainly in the form of grant aid and technical cooperation. Yen loans from the Japan Bank for International Cooperation (JBIC) and the use of trade insurance will also be discussed. As specific measures to help African countries, Japan is considering offering an afforestation project to Senegal, where desertification is spreading. Toward Nigeria, which is frequently hit by floods, Japan is considering helping it in the

area of disaster prevention planning. In addition, promotion of electrification by actively using solar and hydraulic power is also cited as a candidate project. After discussions on specifics about those planned aid projects, Japan will formally announce a set of measures toward Africa at the fourth Tokyo International Conference on African Development (TICAD) in Yokohama in May and the G8 Toyako Summit.

Japan will select countries that will receive aid based on the following four criteria: (1) whether countries suffer damage from climate change; (2) whether countries have sufficient personnel and infrastructure, such as a Japanese embassy that can verify progress on aid projects; (3) whether countries have good projects worth receiving aid; and (4) whether countries have influence politically and economically in Africa. As for South Africa, its income levels are high and it has taken measures to deal with climate change to some extent. So, that country may not be selected as an aid-recipient country.

12) Libyan vice foreign minister says if Japan backs the concept of "United States of Africa," Libya will share oil-drilling concessions with Japan

ASAHI (Page 7) (Full)
January 30, 2008

Libyan Vice Foreign Minister Siala yesterday arrived in Japan as a special envoy of that country's leader Qaddafi and had an interview with the Asahi Shimbun in Tokyo. In it, Siala indicated that Libya

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will share the right to develop oil fields in the country with Japanese firms if Japan backs the concept of creating a "United States of Africa" advocated by Libya. Later in the day, Siala met with Prime Minister Fukuda and handed him a personal letter from Qaddafi, reportedly conveying this notion.

Libya has several undeveloped mining areas inland and offshore, for which international bidding have begun. Siala said that Japanese firms can take part in the bidding and added that "(Libya) can sign a negotiated contract with (Japanese firms) on the already-developed mining areas." He also noted that "Japanese firms should be directly involved in exploring oil fields and producing crude oil," in addition to simply buying crude oil.

Libya, backed by ample natural resources, has worked out a 180-billion-dollar (1.9 trillion yen) economic plan covering the next four years for such projects as constructing roads and developing ports and harbors. Siala expressed hope that Japanese firms will join large development projects other than those for oil.

The concept of United States of Africa is an idea to reorganize the current African Union (AU consisting of 53 countries and regions) into a United States of Africa with one central government. At present, Libya seeks to establish such major cabinet posts for that as foreign minister and defense minister. This concept is planned to be discussed at an AU summit meeting in Addis Ababa slated for early February.

Siala noted: "We hope Japan, which has no history of colonizing any part of Africa in the past, will convince (other countries) about the idea."

13) Chinese State Councilor Tang Jiaxuan to visit Japan in late February to pave way for presidential visit

NIKKEI (Page 2) (Full)
January 30, 2008

The Japanese and Chinese governments launched yesterday coordination with the possibility of Chinese State Councilor Tang Jiaxuan visiting Japan in late February. As Tang is expected to attend the presidential inauguration in South Korea, which will take place on Feb. 25, he will likely to come to Tokyo around that time. The two governments are also looking into the possibility of a visit to

Tokyo in March by Foreign Minister Yang Jiechi. With these visits, efforts to pave the way for President Hu Jintao's visit to Japan this spring will be in full gear.

Placing emphasis on Hu's planned visit to Tokyo, which will be the first Chinese presidential visit to Japan in a decade, Beijing has sounded out Tokyo to issue a new joint statement during the Hu stay.

Beijing intends to characterize the new joint statement as "fourth important document, following the Japan-China Joint Statement in 1972, the Japan-China Pace and Friendship Declaration in 1978, and the Japan-China Joint Declaration in 1998. The purpose of Tang's trip to Tokyo will be to explain Beijing's intention to seek such a document.

Tang is expected to exchange views with Japanese leaders on such

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issues as North Korea's nuclear ambitions, exploration rights in the East China Sea gas fields, and reform of the United Nations Security Council.

Prime Minister Yasuo Fukuda said that an agreement was reached in his meeting with Hu that the timing for Hu's visit to Japan would be around cherry-blossom time. With an eye on the presidential visit in April, Tokyo and Beijing has begun coordinating schedules.

14) South Korean President-elect Lee to visit Japan in April

YOMIURI (Page 2) (Full)
January 30, 2008

The governments of Japan and South Korea have launched final coordination on a plan to carry out in mid-April a visit to Japan by President-elect Lee Myung Bak, who will take office in February. If realized, it will be the first time for a South Korean president to come to Japan in about three years and four months since President Roh Moo Hyun visited in December 2004. Prime Minister Yasuo Fukuda is expected to attend the presidential inauguration on Feb. 25. The protocol of mutual visits by the top Japanese and South Korean leaders will resume. The Japanese government has called on Lee to visit Japan as early as possible after he takes office.

According to a source familiar with Japan-South Korea relations, the South Korean side sounded out a plan for Lee to visit Tokyo on the way back home from the United States where he is expected to visit after the April 9 general elections in South Korea. In his telephone talks with Fukuda in late last December, Lee said: "I want to meet often with Prime Minister Fukuda to build a new future." The two leaders agreed in their telephone talks to resume the mutual summit visits.

Fukuda is expected to hold the first summit with Lee when he visits Seoul to attend the presidential inauguration. He plans to discuss with Lee such issues as South Korean trade deficit with Japan, and negotiations on a free trade agreement, which have been suspended since November 2004.

15) High crude oil prices affecting national defense? Additional fuel expenses earmarked in supplementary budget bill

SANKEI (Page 2) (Full)
January 30, 2008

Soaring crude oil prices and the present lopsided Diet, in which the opposition camp controls the Upper House and the ruling bloc holds a majority in the Lower House, could affect national defense and security. That is because the fiscal 2007 supplementary budget bill includes fuel expenses for patrol vessels of the Self-Defense Forces (SDF) and the Japan Coast Guard (JCG). Deliberations on the second budget bill could be stalled, depending on the Diet situation. The Defense Ministry is trying to save fuel consumption by conducting drills near SDF bases. However, in order to maintain the level of performance of SDF troops, it is not possible to cut the number of drills, as a senior SDF officer said. As such, they are closely

watching developments in Diet deliberations.

Expenditures in the fiscal 2007 supplementary budget bill total 2.4952 trillion yen, of which 57 billion yen has been earmarked as appropriations to cover the rise in crude oil prices. Though the

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specifics of the additional appropriations are mainly measures for the people, such as a reduction in expressway tolls for trucking companies and small and medium-sized businesses, 12.1 billion yen for fuel used by the SDF and the JCG is also included.

According to the Defense Ministry, fuel expenses have surged approximately 15 PERCENT, compared with the preceding year. Although the ministry is saving fuel by conducting drills in oceanic and air areas near bases, the forces are apparently worried, with one source saying, "We cannot conduct drills at the same sites forever. Least of all, we cannot possibly order vessels and aircraft not to use fuel when they detect North Korea's missiles or suspicious ships." The same source said that the activities of patrol vessels and aircraft could be extensively restricted without additional fuel expenses in the supplementary budget.

The Defense Ministry and the JCG have secured additional fuel budgets in the fiscal 2008 budget bill. However, one Defense Ministry source expressed concern, "The high crude oil prices could affect the security and defense of areas surrounding Japan."

16) Ruling coalition mulls utilizing SDF troops to help fight avian flu proliferation

YOMIURI (Page 4) (Full)
January 30, 2008

The ruling coalition of the Liberal Democratic Party and New Komeito held a meeting of their project team yesterday to work out countermeasures dealing with a new-type avian influenza. The meeting was held in the Diet, with former Health, Labor and Welfare Minister Jiro Kawasaki presiding. In the meeting, the project team focused its discussions on how to prevent at an early stage the new-type avian flu from reaching an epidemic stage in Japan. There were suggestions from a number of project team members that the government should activate the Self-Defense Forces in that event. The project will consult with the government on how far the SDF can be utilized under the current law.

The project team will work out a report of recommendations in June and will ask the government to budget necessary measures for fiscal 2009.

The government has an action plan for the new-type bird flu, but it does not expressly stipulate anything about the idea of utilizing the SDF. However, the project team anticipates a case where several hundred people might be infected with the disease in a local area. In order to cope with such a case, the project team suggested the need for the government to send in SDF troops at an early stage. Specifically, the project team notes that the SDF would use school gyms and other local facilities with medical equipment in order to conduct medical treatment. Other countermeasures suggested by the project team include blockading roads to prevent the disease from spreading.

17) Fukuda positive about permanent legislation for SDF missions overseas

YOMIURI (Page 4) (Full)
January 30, 2008

Prime Minister Fukuda attended a meeting of the House of

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Representatives Budget Committee in the Diet yesterday, during which he expressed his view over the idea of creating a permanent law for Japan to send the Self-Defense Forces for overseas missions. "If we

choose to legislate special measures each time, we usually need two full months to have a special measures law enacted in the Diet," Fukuda stated before the committee. "I am worried whether that way is sufficient for carrying out our cooperative activities," Fukuda added. He stressed, "That is why I want to create a permanent law."

Fukuda was also asked whether the government would present a bill to the Diet during the current session. "I would like to continue to look at the overall picture to see if we can get the Diet to discuss this matter," Fukuda stated. He added, "If we can do this with the opposition parties' understanding, that would be best."

He was replying to a question asked by Yuri Koike from the ruling Liberal Democratic Party.

18) Ishiba's idea puzzles Defense Ministry bureaucrats, SDF brass

SANKEI (Page 5) (Abridged)
January 30, 2008

The government is now planning to restructure the Defense Ministry and the Self-Defense Forces. In this connection, Defense Minister Shigeru Ishiba's initiative is creating a stir in the Defense Ministry. His idea is to integrate the Defense Ministry's internal bureaus and the SDF's staff offices into a head office. Ishiba has been insisting that the Defense Ministry's internal bureaus and the Ground, Maritime, and Air Self-Defense Forces' respective staff offices should be integrated into one organization. In concrete terms, Ishiba has specified three functions: 1) the SDF's joint operations; 2) Japan's defense buildup, including hardware development and procurement; and 3) public relations and parliamentary affairs, including legislative measures. However, there are still no formal orders from Ishiba about his initiative. The Defense Ministry's bureaucrats and the SDF's brass officers are therefore watching with a wary eye.

"I would not preclude any option," Ishiba told a press conference yesterday about integrating the Defense Ministry's internal bureaus and the SDF's staff offices. With this, Ishiba indicated that he would work it out from scratch. In February, the government will hold a meeting of its panel discussing an overhaul of the Defense Ministry. On that occasion, Ishiba will state his view about civilian control and will raise issues about the Defense Ministry's reorganization.

However, the Defense Ministry's bureaucracy and the SDF's brass are 'oil and water.' It would be no easy matter to merge them. "We may lose our posts." With this, one of the Defense Ministry's senior officials voiced concern. An SDF staff officer also said, "That may end up reinforcing the ministry's bureaucracy."

19) Ruling coalition OKs 3-yr sympathy budget extension

SANKEI (Page 5) (Full)
January 30, 2008

The ruling coalition of the Liberal Democratic Party and New Komeito approved a new special agreement for a three-year extension of the Japanese government's sympathy budget (host nation support), which

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is to expire at the end of March this year. The government will make a cabinet decision in early February to renew the current special agreement. After that, the government will present it to the Diet.

Japan currently shoulders the burden of base pay for Japanese employees working at U.S. military bases in Japan as well as utilities for U.S. military bases, totaling approximately 140 billion yen. The new special agreement is to maintain this level of burden-sharing in fiscal 2008 and is to reduce 400 million yen each in fiscal 2009 and 2010. On Jan. 25, Foreign Minister Koumura and U.S. Ambassador to Japan Schieffer signed it at the Foreign Ministry.

The Japanese government first proposed a substantial cutback of spending in its burden sharing due to financial stringency. However,

the U.S. government insisted on keeping the current level because of its increasing war costs in Iraq and Afghanistan. In the end, the Japanese and U.S. governments agreed on a slight cutback of utilities. However, the two governments have agreed on a comprehensive review of burden-sharing. As it stands, bilateral consultations will likely face rough going.

20) Cabinet decision made to extend SDF Golan Heights mission

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January 30, 2008

The government decided at a cabinet meeting yesterday to extend Self-Defense Force participation in the UN Disengagement Observer Force (UNDOF) in the Golan Heights for six months until September 30 beyond the March 31 end of the current deployment under the UN Peacekeeping Activities Cooperation Law. The decision follows the UN Security Council's step last December to extend the UNDOF mission. The SDF dispatch to the Golan Heights started in 1996. Currently, 45 personnel, mostly Ground Self-Defense Force members, are conducting transport activities.

SCHIEFFER